



DEPARTMENT OF PLANNING AND BUILDING

Promoting the Wise Use of Land – Helping to Build Great Communities

Date: July 26, 2016

To: Planning Commission

From: Brian Pedrotti, Project Manager

Subject: Continued item - Workforce Housing Ordinance and Design Guidelines / LRP2014-00018

On July 14, 2016, the Planning Commission conducted a public hearing for the Workforce Housing Ordinance and Design Guidelines item. Following staff presentation, public comment and discussion, the Commission directed staff to research several options to help them finalize the scope of the ordinance and determine needed ordinance changes. Specifically, the Commission asked staff to return with information as follows:

- Methods to ensure longer-term affordability of workforce housing units, including equity sharing, long-term owner-occupancy, and restrictions on vacation rentals
- Building construction fees
- Inclusionary Housing requirements and whether this provision could be eliminated
- Possibility of workforce housing subdivisions in Residential Suburban and Residential Rural land use categories
- Design considerations such as cottage housing, zero lot lines, front porch location and depth, and balconies over public sidewalks
- Addition of secondary units to Table 2-2 for Residential Multi-Family, Commercial Retail, and Office/Professional land use categories
- Methodology for transitioning residential units to commercial in mixed-use developments
- Intermixing/scattering of workforce housing units into a larger development

DISCUSSION

Longer-Term Affordability Provisions

The Commission directed staff to explore equity-sharing and longer-term owner occupancy provisions for workforce housing units. In particular, the City of San Luis Obispo's Moylen Terrace project (see attached site plan) was referenced by several speakers during public comment as a good example of equity-sharing currently in practice. County staff met with City staff to discuss their affordable housing

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programs associated with the Moylen Terrace project and other City developments. Staff has attached a copy of the Buyer's Disclosure Statement for the Shared Equity Program, which is being utilized in the Moylen Terrace project. As long as equity-share units are in the program, they are required to be owner-occupied, which by definition would preclude vacation rentals. The statement includes a table showing that the longer a person owns the home, the lower percentage of appreciated value the person will be required to pay back to the City upon sale. Any value paid back to the City goes into an account to help fund additional affordable housing units. Staff recommends that any equity share program follow a similar process as provided by the City of San Luis Obispo.

Reduction/Elimination of Inclusionary Housing Requirement

The Commission directed staff to explore whether the inclusionary housing requirement could be reduced or eliminated. Staff is concerned about a potential conflict with the Density Bonus Law (DBL) in the California Government Code and an inconsistency with the Housing Element, as the elimination of the inclusionary housing requirement may have the potential to over-incentivize workforce housing subdivisions so that developers avoid otherwise feasible affordable housing developments. Therefore, elimination of the requirement is not recommended. The Commission could consider a reduced requirement, but should exercise caution in providing incentives that could conflict with the DBL. Staff recommends that the owner-occupancy requirement for these secondary units be eliminated if they are located on the same lot as another "primary"-sized residence.

Building construction fees

The Commission asked staff to review construction permit fees to determine if the County could provide additional financial incentives. As shown on the attached spreadsheet, although some fees are standard for all types of development, building permit fees are prorated by the unit size so that smaller units require a lesser fee. The Commission has the option to recommend that staff return with an amendment to the fee ordinance to allow that a lesser fee apply to workforce housing units.

Workforce housing subdivisions in Residential Suburban and Residential Rural

The Commission asked about the potential for workforce housing subdivisions in Residential Suburban (RS) and Residential Rural (RR) land use categories. The draft ordinance limited these projects inside a Urban Reserve Line or Village Reserve Line, assuming areas with urban level services. There are, however, RS and RR areas within the unincorporated area that currently provide or have the potential to provide community water and sewer. These parcels generally have a minimum parcel size of between one and five acres, although the option of applying for a cluster subdivision can reduce this minimum lot size considerably with community water and sewer. Due to the larger acreage and the more complicated regulatory layer for a cluster subdivision, staff is uncertain that this option would be used, but the option would provide greater flexibility depending on future market conditions.

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Revision to Table 2-2 – Secondary Units

One comment received from the Housing Trust Fund was that Table 2-2 of the Land Use Ordinance did not allow secondary units in the RMF, CR, or O/P land use categories that allow workforce housing subdivisions. Since single-family residences are not allowed in these areas, all workforce housing and secondary units are considered multi-family units. In this way, an applicant cannot obtain the “extra” secondary unit for each parcel, but the unit would instead be part of the overall allowed density. Given this limitation, the Commission does have the option to provide that units that meet the size restriction of secondary dwellings (i.e., no more than 800 square feet) in these land use categories can receive the reduced inclusionary housing incentive. However, no additional density may be acquired.

Intermixing Workforce Housing units into a larger development

The Commission asked staff about any limitations to creating workforce housing units within a larger development, such as mixing or scattering these units within the developments so that they are not clustered together in one area. The mixing of housing with different levels of affordability is a hallmark of the City’s Moylen Terrace project, and is in fact encouraged throughout the City. Staff suggests that if the Commission include this recommendation, that workforce housing parcels are designated as such on the tract map and are subject to all provisions of the ordinance. In addition, the ordinance could be written so that if a certain percentage of total units are workforce housing, the whole development may be subject to the design guidelines, but that the whole development may also receive the flexibility benefits of the ordinance, such as lesser setbacks and lot size.

Design Considerations

The Commission discussed several specific site and design requirements, including cottage housing, zero lot line development, front porch location and depth, and balconies over public sidewalks. Generally speaking, these changes can be accomplished in the ordinance.

Zero lot line development can be appropriate with workforce housing as long as minimum separation is provided between structures. The Commission can eliminate, change, or move the front porch location and depth provisions to the design guidelines. The Commission may add a section in the Workforce Ordinance allowing balconies over the public sidewalk, but the ordinance will need to be clear that this is a discretionary action (not entitled) and, if allowed, must conform to the standards found in the California Uniform Building Code (see attached UBC Chapter 33, Encroachments).

“Cottage houses”, which are very small single-family residences and have been developed primarily in the Pacific Northwest, were suggested as a possibility for workforce housing. These units are generally smaller (650 to 800 square feet) than what is envisioned with workforce housing, but would fit within

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the design parameters for secondary units. As part of the Planned Development Ordinance that was adopted in 2013, the Board also adopted the Small Lot Single-Family ordinance as a subset of Planned Developments, which was intended to provide this type of cottage housing (see attached Title 22 excerpt). This ordinance includes some of the desired provisions expressed by the Commission, including second and third stories that do not exceed the floor area of the first floor to break up the massing and scale. Some of these additional design provisions could be added to the design guidelines as well.

Transitioning residential units to commercial in mixed-use developments

As described in the original staff report and at the July 14th hearing, the proposed ordinance includes a revision to allow residential uses to be established in the CR or OP land use categories as a primary use, provided that certain standards are met. These include the provision that residential can be on the ground floor as an interim use as long as it is built to commercial standards. The Commission expressed concern with how the land use transition would occur, with special attention given to existing renters in interim residential units. In addition to the requirement that the decision-making authority identify a sunset on the interim residential use, staff recommends that workforce housing subdivisions include a timely notification of intent to change occupancy, perhaps six months or one year.

Please bring your staff report packet from the July 14, 2016 hearing.

If you have any questions regarding this matter, please contact Brian Pedrotti at (805) 788-2788.

ATTACHMENTS

1. Moylen Terrace site plan
2. City of San Luis Obispo Buyer's Disclosure Statement for Shared Equity Program
3. Building Permit Fee Schedule
4. UBC, Chapter 32, Encroachments into the Public Right-of-Way
5. Title 22, Section 22.30.475 – Residential – Small Lot Single-Family